

VZCZCXRO7306

PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR

DE RUEHVL #0549/01 1641322

ZNY CCCCC ZZH

P 131322Z JUN 06

FM AMEMBASSY VILNIUS

TO RUEHC/SECSTATE WASHDC PRIORITY 0272

INFO RUEHDL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC PRIORITY

RHEHNSC/ NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 000549

SIPDIS

SIPDIS

STATE FOR EUR/NB, EB/ESC

E.O. 12958: DECL: 06/12/2016

TAGS: [ENRG](#) [PREL](#) [PGOV](#) [ECON](#) [LH](#) [FR](#)

SUBJECT: PRESSURE BUILDS TO CONSTRUCT NUCLEAR POWER PLANT
IN LITHUANIA

Classified By: Economic Officer Scott Woodard for reasons 1.4 b and d

¶11. (C) SUMMARY: A well-placed source says that a two-year French plan to convince the GOL to build a French-designed nuclear power plant is succeeding. According to this account, the French have persuaded many of Lithuania's political leaders of the need to build a nuclear power plant as soon as possible -- a plan that could benefit French companies at the expense of others, including Westinghouse and General Electric. Other GOL sources insist that the competition remains wide open. Our Mission continues to work with both firms. We will stay engaged to ensure that the GOL's ultimate decision is transparent and fair. END SUMMARY.

PARANOIA VERSUS SCIENCE

¶12. (C) Jurgis Vilemas, Chairman of the Lithuanian Energy Institute (LEI) and a long-time advisor to Prime Minister Brazauskas on energy matters, told us recently that he is increasingly concerned that anxiety about dependence on Russian energy supplies is driving the discussion on the construction of a new nuclear power plant. He told us that he thinks that Lithuania's parliament may require the construction of a new nuclear plant by 2015.

A QUICK DECISION WOULD HURT U.S. INTERESTS

¶13. (C) Such a decision, Vilemas said, would have two major consequences. First, it would not allow enough time for the GOL to issue a proper international tender and allow a competitive bidding process. This, he argued, would force the GOL to rely on "experts" to select the most suitable model for Lithuania. Vilemas said that the GOL's experts, influenced by a two-year French lobbying campaign, would likely select the French design as the winner. The second consequence is that this accelerated timetable would effectively eliminate Westinghouse's IRIS reactor -- Vilemas's preferred design -- as a possibility, as it will not have regulatory approval in time to meet a 2015 completion deadline. Vilemas also mentioned that a different Westinghouse design, the AP 1000, already has U.S. regulatory approval and may be a possibility for Lithuania, even if the parliament requires a 2015 completion date. Vilemas said that General Electric had also presented to the GOL a proposal for a GE-designed reactor.

¶14. (C) Arturas Dainius, the Ministry of Economy's Undersecretary in charge of nuclear-power issues, gave us a

slightly different perspective. He said that "all of the major competitors," which included companies from Japan, France, Russia, the Czech Republic, and the United States, remain in the running. Regarding Westinghouse, he said that the GOL probably would not consider "designs not yet approved" -- a reference to IRIS -- but said that Westinghouse's AP 1000 was an option. He said that 2013 was the earliest conceivable completion date for a new nuclear power plant, adding that a date after 2015 was probably more realistic.

FEASIBILITY STUDY UNDERWAY

¶ 15. (C) Vilemas said that the GOL has already launched a feasibility study to consider construction of a new nuclear plant in Lithuania. He said that the committee commissioned to do the study -- of which he is a member -- had recently received pressure to complete the study by May, four months earlier than the original October deadline. He told us, however, that he had successfully defended the original deadline and that the committee will not issue its conclusions before then.

WHO WILL PAY?

¶ 16. (C) Dainius was not able to clarify the source of funds for a new nuclear power plant. He spoke vaguely of a mix of private funding and government borrowing and noted that the GOL had the possibility to borrow up to USD 500 million from the EU's Atomic Energy Agency (EURATOM). Unfortunately, Dainius said, borrowing from EURATOM would require the

VILNIUS 00000549 002 OF 002

European Commission's permission, and he was unsure about how other EU members view the possibility of a new nuclear power plant in Lithuania. Dr. Anicetas Ignatas, also an Under Secretary in the Ministry of Economy, told us in March that

SIPDIS
the GOL would use funds from the sale of unused carbon-emissions quotas to help pay for the project.

U.S. COMPANIES' INTEREST

¶ 17. (C) General Electric (GE) told us on June 7 that it is in the process of negotiating a Proprietary Information Agreement with the GOL, which will enable more detailed discussions. GE also told us that its Generation III Advanced Boiling Water Reactor design would be a perfect technical fit for Lithuania's needs. GE hopes to learn more shortly about how the Lithuanians intend to set up the procurement process, which will help determine whether or not it will bid on the project.

¶ 18. (C) Dr. Mario Carelli, Chief Scientist for Westinghouse Electric Company, told us on June 8 that "things look bleak" for a chance to build Westinghouse's IRIS reactor in Lithuania. He said that if Lithuania wants to choose the 300KW-IRIS, the GOL can help hasten its certification and licensing, but noted that, even under the most optimistic circumstances, they could not construct and bring an IRIS reactor online earlier than 2015-2017. Carelli said that he believes that the French energy giant AREVA, working hand-in-glove with the French government, is lobbying hard to persuade Lithuanian officials to opt for AREVA's EPR design. Carelli also said that Westinghouse will undoubtedly be interested in building its larger reactor, the AP 1000 in Lithuania, but added that his company considers Chinese and American markets more appropriate for that design. He said that the smaller IRIS is a much better fit for Lithuania's

needs.

COMMENT

19. (C) A new nuclear power plant in Lithuania represents a multibillion-dollar opportunity, and it is not surprising that the French are lobbying hard for their design. We are encouraging the GOL to take a deliberate, needs-based approach to this decision and are advocating for a transparent and competitive tender process that fairly considers all U.S. bids.

MULL